

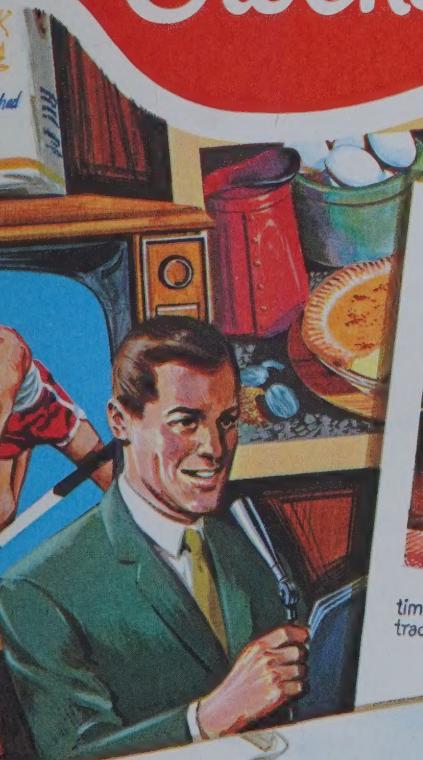
AR35

ANNUAL REPORT

MAY 31/1965/MAY 29, 1966

GENERAL MILLS

Betty Crocker



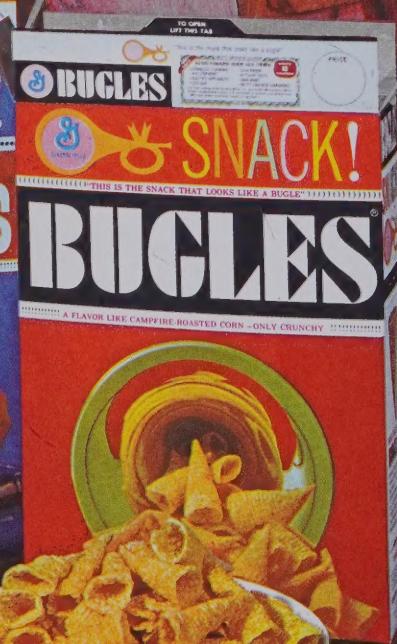
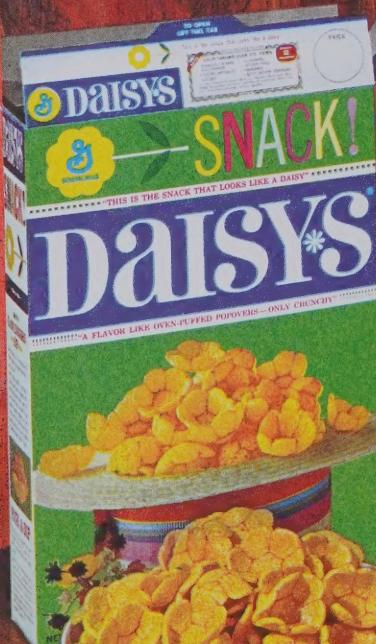
German Chocolate Cake, the classic 'bake shop' dessert... now for th
time, in two new mixes from Betty Crocker. Sweet, light German Chocolate Cake
traditional chewy Coconut-Pecan Frosting. Real coconut. Real pecans. Real g



Discover two new Betty Crocker Muffins. One crunchy, one spicy!
NEW BUTTERMILK MUFFINS
Tender, moist muffins with just the right amount of flavor. Great with coffee or tea.
NEW APPLE CINNAMON MUFFINS
Flaky, moist muffins with cinnamon sugar coating. Great with coffee or tea.



TOOLS OF MARKETING

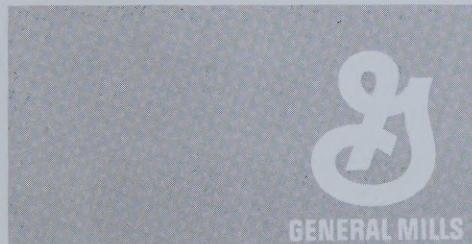


General Mills' revolutionary snacks — Bugles, Whistles, Daisy's—add pleasure to party time, mealtime, any time.

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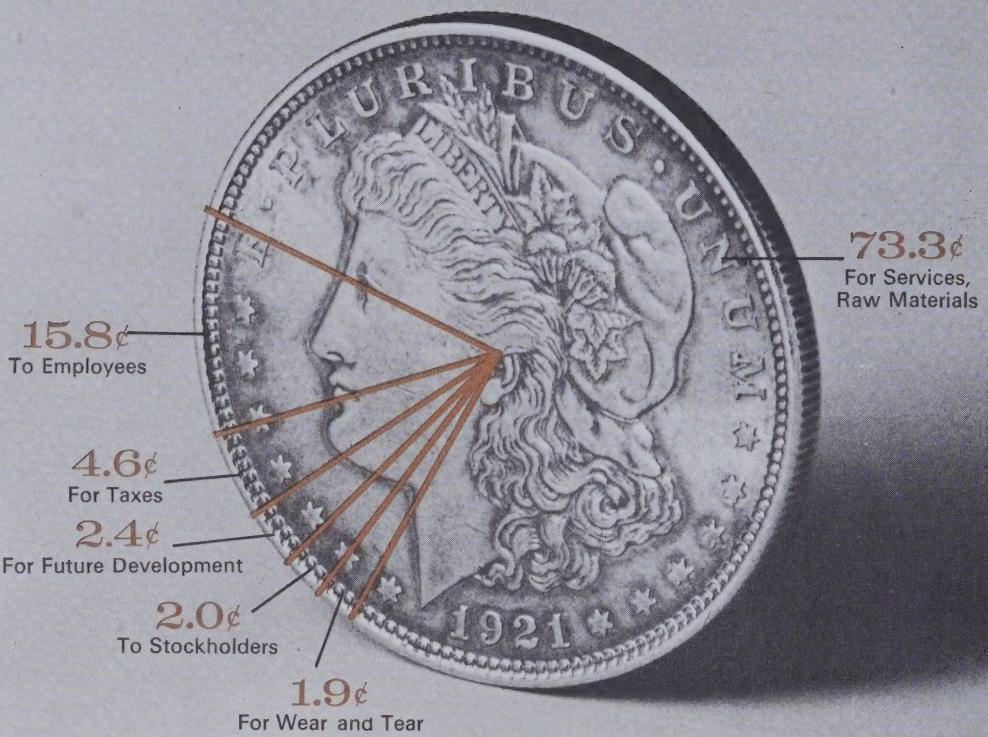
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GENERAL MILLS ANNUAL REPORT May 31, 1965 • May 29, 1966



NOTICE TO STOCKHOLDERS: The annual meeting of the stockholders of General Mills, Inc., will be held at 3:00 p.m., Central Daylight Time, on August 23, 1966, at Golden Valley (Minneapolis 55440), Minn. *The Notice of Annual Meeting of Stockholders and Proxy Statement* is being mailed to reach stockholders on or about August 1, 1966. Your attention is called to the fact that the fiscal year covered by this report ended May 29, 1966, rather than May 31. For accounting and operating purposes, General Mills has adopted an even-period fiscal year divided into 13-week quarters.

COVER: TOOLS OF MARKETING—Winning the support of consumers starts with good products and good services. It also calls for a wide variety of skills and an impressive array of aids to communication. Some of these aids used by General Mills—ranging from store displays to a traveling truck-laboratory—are depicted on the cover of this report. For more on *Marketing, Serving to Sell*, please turn to page 19.



HOW THE SALES DOLLAR WAS DIVIDED

THE YEAR IN BRIEF

	52 Weeks Ended May 29, 1966	52 Weeks Ended May 30, 1965
Received from the sale of products and services	\$524,678,315	\$558,970,454
Goods and services purchased from others, and amounts set aside for depreciation ..	394,388,796	429,730,280
Wages, salaries and retirement benefits	82,879,075	83,028,952
Taxes—Federal, State and Local	24,074,408	25,827,303
Net earnings	23,336,036	20,383,919
Dividends—common stock	10,630,798	9,866,790
—preferred stock	—	276,201
Earnings in excess of dividends	12,705,238	10,240,928
Net earnings—per dollar of sales	4.4¢	3.6¢
—per share of common stock	\$3.07	\$2.65
Taxes per share of common stock	3.17	3.41
Land, buildings and equipment	155,826,400	127,397,008
Working capital	70,042,111	57,759,066
Stockholders' equities	155,143,711	144,141,120
Shares of common stock outstanding	7,594,516	7,584,575

CHAIRMAN'S AND PRESIDENT'S REPORT

To Stockholders and Employees

July 29, 1966

It is a pleasure to report that your company again this year surpassed all previous records in net profits, in earnings per share of common stock and in dividend payments to shareholders.

Net earnings for the year ended May 29, 1966, reached \$23,336,000, nearly \$3,000,000 or 14 per cent higher than the previous year's \$20,384,000. This represents per share earnings of \$3.07, an improvement of 42 cents or 16 per cent over the \$2.65 of 1964-65, and marks the fourth consecutive year of advances in both net profits and earnings per share.

Common stock dividends totaled \$1.40 per share for 1965-66, 10 cents higher than in any previous year. Reflecting the year's financial progress, the Board of Directors on June 27 declared a quarterly dividend of 37½ cents per share for the August 1, 1966, payment, 2½ cents higher than the dividend for the previous quarter. Continued through four quarters, this would represent an increase of 10 cents in the annual dividend rate.

As was announced in last year's annual report, management adopted a plan to reduce milling capacity by closing nine of 17 flour mills during the year, freeing financial and human resources for investment in areas of greater growth potential. Because of a resultant decline in bakery flour sales of more than \$70,000,000, total sales declined to \$524,678,000 from the previous year's \$558,970,000, a decrease of about six per cent. However, sales of all products exclusive of bakery flour increased 9.4 per cent. This, combined with the streamlining of the company's milling operations and the tax benefits arising from heavy capital expenditures, made it possible to raise earnings per sales dollar to 4.4 cents, compared with the previous year's 3.6 cents.

In line with our policy of concentrating efforts in areas that offer the most attractive returns, the Board of Directors in June approved a management recommendation to discontinue production and sale of refrigerated biscuits and other specialty dough products and to close four plants. Refrigerated products account for about three per cent of our total General Mills sales.

This decision was reached only after careful consideration of all possible alternatives. The effect it will have on the 400 employees of the Refrigerated Foods Division is deeply regretted, and every effort will be made to absorb or relocate the employees involved. Estimated costs of withdrawing from our refrigerated foods business will be about \$4,000,000 after taxes. Because of their unusual and nonrecurring nature, these costs have been charged to Earnings Employed in the Business (see note 8, page 17, and statement of Earnings Employed in the Business, page 14).

At the same time, \$2,619,000 is being returned to Earnings Employed in the Business as a result of lower than anticipated costs of withdrawal from feed, electronics and oilseeds businesses during the past five years.

During the past 12 months, we took several additional steps that are expected to have an important effect on the company's ability to surpass present records in future years. To spur internal growth, General Mills made a record gross

expenditure of \$44,668,000 for new construction and modernization. Of major significance was the start of snack production in expanded facilities at the company's West Chicago plant, permitting distribution of our new snack products—Bugles, Whistles and Daisy*—into about half of the domestic snack market. Completion of a new plant at Lancaster, Ohio, is making possible further expansion in production of snacks and other new products important to our continued growth.

Paralleling growth through internal expansion, General Mills also grew during the year through external acquisitions which are discussed more fully in the "Highlights of the Year" section of this report. Of special importance currently is the pending acquisition of the Tom Huston Peanut Company, of Columbus, Ga., which would be the largest acquisition in the company's history. On June 27, both General Mills and Tom's shareholders ratified the proposal. Final approval is now contingent on receipt of favorable tax rulings from the Internal Revenue Service. Together with existing operations, these new activities present great challenges and opportunities for General Mills, broadening the company's penetration of important growth markets, both at home and abroad.

On the national scene, though many factors are favorable, a few give rise to watchful concern. The preoccupation of politicians and government officials with protecting what they believe to be the interests of the consumer-voter reached a high pitch during the past year. The "Fair Packaging and Labeling" bill cleared the Senate. The National Commission on Food Marketing issued its report. New dietary regulations were published by the Food and Drug Administration. Each of these major governmental moves contemplates restrictions which we believe to be unwarranted and not in the best interests of the consumer. Some of them specifically threaten the company's ability to continue to market certain products and, to that extent, pose a threat to a part of the company's operations. It is hoped that the more extreme effects of these proposals will be modified before they ultimately take effect.

We feel that General Mills today stands in a highly favorable position for progress in the 1966-67 fiscal year and beyond. The demonstrated loyalty and ability of our employees, the increasingly more effective streamlining of our operations and the greatly expanded facilities placed at the company's disposal all augur well for increased future accomplishment, hopefully surpassing even our record-breaking achievements of today.

P. H. Bee

CHAIRMAN OF THE BOARD

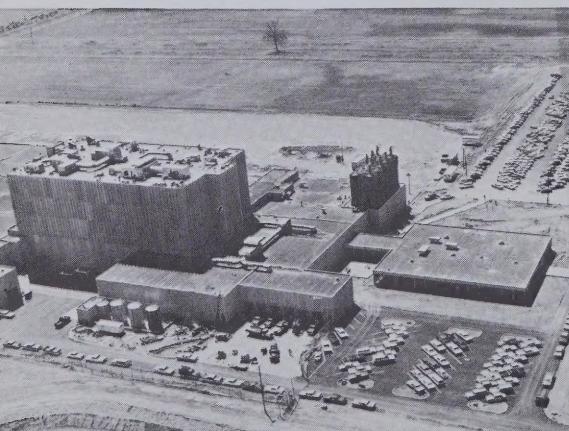
E. L. Haweings

PRESIDENT

PROGRESS-1965-66

- Earnings rise to record level.
- Dividends reach new high. (Rate further increased for first quarter of new fiscal year.)
- Sales of consumer foods and specialty chemicals continue to gain.
- Revolutionary snack products move into additional markets en route to national distribution.
- Research adds new products to food and specialty chemical lines.
- Plant construction at West Chicago, Ill., Lancaster, Ohio, and St. Charles, Ill., expands production capacity.
- Acquisitions broaden company's operations.
- Improved benefit programs provide increased security for employees and their families.

A camera in a low-flying airplane captures the company's package foods plant under construction at Lancaster, Ohio. Now operating, the new facility serves the expanding eastern U.S. market.



HIGHLIGHTS OF THE YEAR

For the fourth consecutive year, General Mills in fiscal 1965-66 gained in total profits and earnings per share, both of which reached record highs. Sales also attained record levels in all major operations except those affected by curtailment of the company's flour business.

SALES

Total sales of \$524,678,315 were down \$34,292,139 from the previous year. This decline resulted from a \$71,965,000 reduction in domestic and export sales of bakery flour caused by the closing of nine flour mills during the year. Sales in other activities rose 9.4 per cent.

Consumer foods continued their upward surge, surpassing the previous year in sales by 7.7 per cent. Major contributors to the gains were some of the company's newer products, particularly Potato Buds, an instant mashed potato product introduced last year, and new snack products—Bugles, Whistles and Daisy*s—which moved from limited test markets into areas with about half of the nation's total snack sales. Breakfast cereals, dessert mixes, baking mixes and casserole products also gained in dollar volume.

Sales of specialty chemical products continued to grow, topping those of the previous year by 22.9 per cent. New products in both the Chemical and Specialty Products Divisions contributed to this growth.

EARNINGS AND DIVIDENDS

Earnings after taxes rose to \$23,336,036, an increase of 14.5 per cent over the previous year. Earnings per share of common stock climbed 15.8 per cent to \$3.07 per share, as compared with \$2.65 the year before.

Common shareholders received \$10,630,798 as dividends, equivalent to \$1.40 a share. Both per share and total payments of common dividends reached new highs.

On June 27, 1966, the Board of Directors increased the quarterly common stock dividend by 2½ cents per share—from 35 cents to 37½ cents for the payment August 1, 1966.

RESEARCH

Research is a key to continued progress. In fiscal 1965-66, General Mills invested \$8,644,111 in its research programs.

From this vigorous research effort, 18 new food products were released to operating divisions during the year and 17 previously developed products were improved. In addition, two revolutionary new chemical products, one mainly for use in coatings for structural materials such as wood and metal, the other for application in copper ore refining, were made available for sale by the Chemical Division. New resins were also added to the company's Versalon brand line, and new chemical derivatives from guar gum strengthened General Mills' position as a supplier of guar products to a wide range of industrial markets.

Through the company's exploratory research program, the staff of the James Ford Bell Research Center continued its rapid development of a new class of foods. These are textured and flavored protein items based on edible filaments spun from purified soybean proteins. During the year, three test market programs were mounted for such textured protein bits with a flavor and crunch like cooked lean bacon. One of these is an ingredient supplied to another company for use in a new peanut butter product. Internally, General Mills' Grocery Products Division and the Food Service Department are test marketing similarly flavored protein bits, identified as Bac*Os and Bac-O-Chips respectively.

Experience has demonstrated the value of the cereal and snack pilot plant completed at the James Ford Bell Research Center in 1963-64. This facility was substantially expanded during the past year to speed the development of totally new product lines.

CAPITAL EXPENDITURES

Net expenditures for plant and equipment in 1965-66 totaled \$41,568,000, an increase of \$16,781,000 over the previous year's record. Major construction projects completed during the year were new cereal and snack production facilities at West Chicago, Ill., and Lancaster, Ohio, and a plant for food service and bakery mix products at St. Charles, Ill. Both the West Chicago and St. Charles facilities were in full-scale operation when the fiscal year closed; the Lancaster facility began test operation in May and is expected to be in full production during the first quarter of fiscal 1966-67.

Another important project, the 95,000-square-foot expansion of the company's General Offices, also neared completion. The final phase of this project, the exciting new Betty Crocker Kitchens, will be opened on August 23 for a tour by stockholders attending the annual meeting.

NEW FINANCING

To provide capital for the company's growth program, General Mills obtained \$35,000,000 through the sale of 4½ per cent sinking fund debentures in August, 1965. The new securities were marketed at par and become due August 1, 1990.

CONSUMER FOODS

Consumer foods operations continued to receive strong emphasis and showed notable progress during fiscal 1965-66.

The Grocery Products Division, General Mills' largest operating unit, completed a record year which was highlighted by the expansion of new snack products, Bugles, Whistles and Daisy*s, into 11 additional sales regions en route to national distribution. Increased engineering and research costs related to the greatest expansion program in the division's history, heavy start-up costs at the new West Chicago and Lancaster facilities and major advertising and promotion budgets for introduction of the snacks into the new markets were absorbed during the year.

An array of other new products also expanded into broader distribution. These include ready-to-spread frostings, free-flowing pie crust mix, German Chocolate layer cake mix, Butter Brickle layer cake mix, Coconut Pecan frosting mix, Buttermilk Nut muffin mix and Apple Cinnamon muffin mix, all

SALES

000 Omitted

	1966		1965		1960		1955		1950	
Total	\$524,678	100.0%	\$558,970	100.0%	\$537,818	100.0%	\$513,651	100.0%	\$395,835	100.0%
Consumer Foods	386,769	73.7	359,046	64.2	250,592	46.6	233,621	45.5	168,602	42.6
Specialty Chemicals	32,569	6.2	26,506	4.8	18,446	3.4	13,513	2.6	3,450	0.9
Flour	102,565	19.6	173,418	31.0	150,900	28.1	151,066	29.4	131,113	33.1
Other Products	2,775	0.5	—	—	—	—	—	—	—	
Discontinued Operations	—	—	—	—	117,880	21.9	115,451	22.5	92,670	23.4

Fiscal years ended May 29, 1966, and May 30, 1965; all previous years ended May 31.

Here's a helicopter view of General Mills' expanded package foods plant at West Chicago, Ill. The facilities now cover 800,000 square feet.



under the Betty Crocker label. Good News!, the first breakfast cereal to be pre-sweetened without added calories, and Wheat Stax, another unique breakfast cereal, continued to be sold in test markets; Stax reached national distribution in June, 1966. Corn Total, a high vitamin corn flavor flaked cereal, and Bac*Os, the crisp bits with a taste and texture similar to fried and crumbled bacon, made their test market debuts.

Established products still play a key role in the progress of the Grocery Products Division. The Big G line of cereals, with Cheerios, Total and Wheaties showing noteworthy sales gains, increased its share of the ready-to-eat breakfast cereal market despite a swelling flow of new cereals and other breakfast products from competitors. The market position of General Mills cereals at year's end was the best in their history.

During the year, General Mills retained leadership in the family flour, frosting mix, pie crust mix, biscuit mix, cookie mix, brownie and angel food cake mix markets. Betty Crocker layer cake mixes improved their market position, continuing in a strong second place. The company nearly doubled its share of the fast-growing instant mashed potato market with the national introduction of new Potato Buds.

Morton Foods, Inc., a wholly owned manufacturer and distributor of potato and corn chips, pickles, salad dressings and other food products in the southwestern United States, expanded sales during fiscal 1965-66. This sub-

STOCK OWNERSHIP

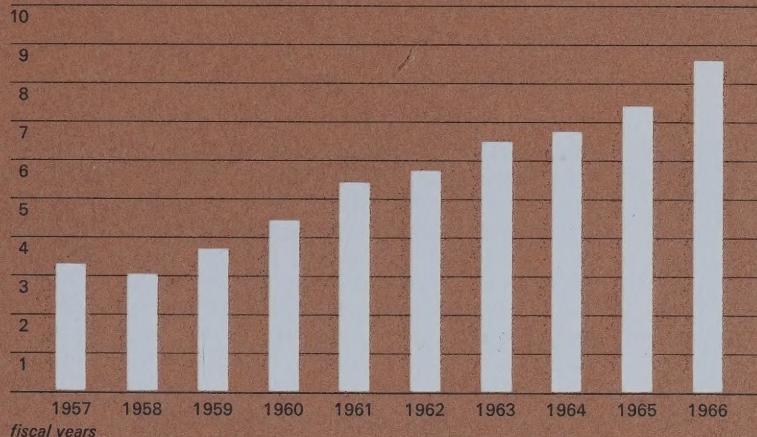
as of May 29, 1966

REGISTERED IN NAME OF:	NUMBER OF HOLDERS	% OF TOTAL HOLDERS	NUMBER OF SHARES	% OF TOTAL SHARES OUTSTANDING
Women	9,438	34.8	1,447,021	19.0
Men	7,983	29.4	1,437,502	18.9
Joint Accounts	5,251	19.3	303,243	4.0
Total Individuals	22,672	83.5	3,187,766	41.9
Banks and Firms	378	1.4	631,231	8.3
Trustees, Guardians, Executors	2,935	10.8	414,096	5.5
Societies and Institutions	195	.7	143,066	1.9
Brokers	181	.7	277,690	3.7
Nominees	790	2.9	2,940,667	38.7
Total	27,151	100.0	7,594,516*	100.0

*Does not include Treasury stock.

CENTRAL RESEARCH EXPENDITURES

millions of dollars



sidiary company introduced a Tortilla Chip in El Paso, Texas, and is planning to market this new product throughout its sales area.

Because of low margins in the refrigerated dough industry, the Refrigerated Foods Division of General Mills has failed to show profits and growth. The company has worked intensively to improve the situation, but it does not appear possible in the foreseeable future to achieve a satisfactory return on the investment in this business.

On June 27, 1966, therefore, the Board of Directors approved a management recommendation that General Mills discontinue the production and sale of refrigerated dough products—biscuits, pizza, rolls, brownies and cookies. The company's plants at Charlotte, N. C., Garland, Texas, Los Angeles, Calif., and St. Louis, Mo., will close in August, 1966.

Net sales of the Refrigerated Foods Division in 1965-66 represented about three per cent of General Mills' total sales dollars.

COMMERCIAL FOOD PRODUCTS

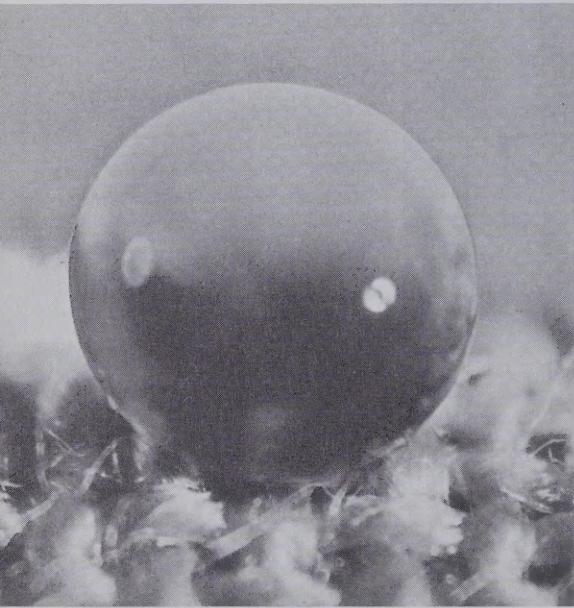
The first General Mills package foods plant designed specifically to serve the food service and baking industries was opened in St. Charles, Ill., during fiscal 1965-66. This new facility will produce more than 60 mix items, ranging from hot bread and dessert mixes to sauces and griddle mixes, for distribution to hotels, restaurants, schools, cafeterias and other places where meals are served away from home.

Dark Chocolate Fudge Icing Mix and Tenderroll Base were added to the product list. Tenderroll is designed especially for use in school lunch programs to provide a wide variety of better quality soft rolls and sweet goods quickly and economically. The snack products—Whistles, Bugles and Daisy*s—were also test marketed as food service products during the year as were a new spaghetti sauce and Bac-O-Chips for the food service trade.

A line of fruit drink concentrates sold to dairies and a dry milk enrichment concentrate marketed to dry milk processors by the Specialty Products Division were both highly successful. The concentrates, introduced last year in orange, grape, lemonade and fruit punch flavors, can easily be converted by dairies into flavorful, ready-to-use drinks. The enrichment concentrate of vitamins A and D is used to fortify non-fat dry milk powder for the government's "Food for Peace" program.

FLOUR

Experience of the bakery flour industry during the past year confirmed the soundness of the company's decision made in June, 1965, to reduce its flour milling capacity and curtail sales of specification bakery flour. Nationally, margins in the general bakery flour business remained at unsatisfactory levels.



WATER shall not pass. This photomicrograph shows how water beads on cloth treated with DDI brand diisocyanate.

This new product of General Mills' Chemical Division is being evaluated in the surface treatment of textiles and many other industrial applications.

Expansive warehouse of General Mills' new food service plant at St. Charles, Ill., is a distribution center for all points east of the Rocky Mountains. Two hundred forty-two Flour Division products pass through its 51,000 square feet of space.



As a result of closing nine of 17 flour mills, General Mills reduced sharply the amount of flour sold to bakeries during fiscal 1965-66 as compared with the previous year. Within the limitations of production capacity, the company maintained faithful service to customers, both large and small, and as expected, long-established high quality brands enjoyed strong, continuing demand. The company also fulfilled its announced intention to maintain helpful relations with the bakery trade; typical was General Mills' vigorous support of the program commemorating the 25th anniversary of the enrichment of flour and bread.

During the year, the company sold milling properties at Amarillo, Texas, and El Reno, Okla., and country elevators at Lamont, St. John, Snake River and Winona, Wash. General Mills also sold surplus equipment at mills in Buffalo, N.Y., Minneapolis, Minn., and Wichita Falls, Texas, and in June, 1966, completed the sale of milling facilities at Ogden, Utah.

SPECIALTY CHEMICALS

New products, rising sales, steadily improving facilities and expanding marketing development programs characterized General Mills' specialty chemical operations in 1965-66. Combined with consolidation of the previous year's gains, these accomplishments provide a base for growth in the years ahead.

All major Chemical Division products followed an upward trending sales curve. Versamid and Versalon brand resins, vitamins, pharmaceutical intermediates and fatty nitrogen derivatives were delivered in record quantities. The price of fatty nitrogen compounds continued to be depressed, however, by continuing overcapacity in the industry.

Sales of soy sterols and vitamin products, particularly vitamin E, benefited from expanded plant facilities and technological improvements. During the year, additional land was acquired adjoining the Chemical Division plant at Kankakee, Ill., to assure space for future growth.

Among the new products of research introduced by the division during the year are DDI brand diisocyanate, with applications ranging from weather-resistant clear finishes to textiles and paper, LIX-64 reagent for the recovery of copper from low grade ore deposits, several new Versamid and Versalon brand polyamide resins that earned acceptance in shoe assembly, flexographic inks, coatings and packaging adhesives and new vitamin E products for feed formulators and pharmaceutical manufacturers. The Hired Hand scrubbing sponge, the Foot Soldier doormat and the O-CEL-O sponge cloth were non-food consumer products introduced during the year.

The Specialty Products Division completed a highly successful year with rising sales. On August 1, 1965, the acquisition of Tragason Products Limited, of Hooton, England, expanded the division's business in natural gums, used in paper, textile, mining and many other industries. New installations at General Mills' guar gum plant in Kenedy, Texas, and at the plant of Habib-General Limited, at Karachi, Pakistan, also broadened production of high grade natural gum products.

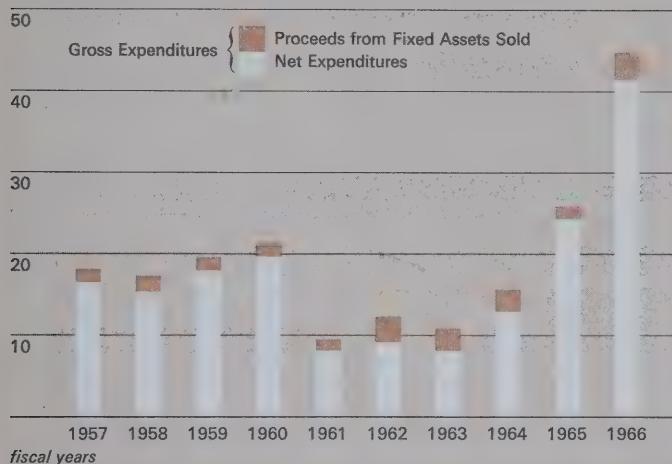
INTERNATIONAL OPERATIONS

General Mills continued to expand its international operations during the past year, seeking effective ways to utilize the company's technology and skills in growing world markets.

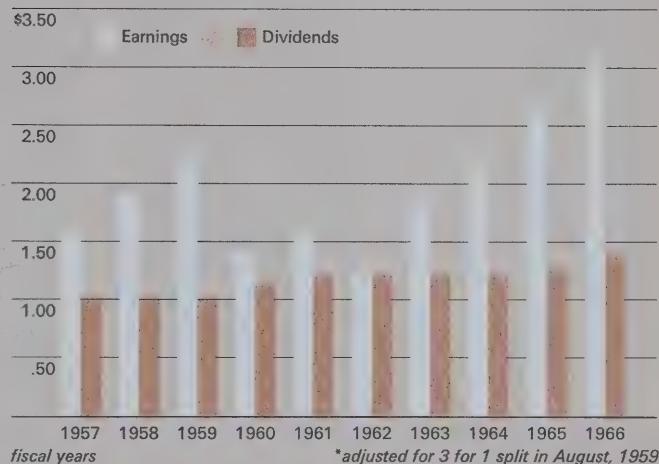
In August, 1965, General Mills and Morinaga Confectionery Co., Ltd., of Toyko, Japan, completed organization of Morinaga General Mills, Limited, to manufacture and market convenience foods in Japan and the Far East. New products appealing to Japanese consumer tastes are being formulated and tested. A second joint venture for the manufacture of specialty chemicals in Japan has been negotiated with Dai-Ichi Kogyo Seiyaku Company Ltd., which serves as sales representative for General Mills' Chemical Division in Japan. The plan is in the final stages of review by the Japanese government.

EXPENDITURES FOR PLANT AND EQUIPMENT

millions of dollars



EARNINGS AND DIVIDENDS PER COMMON SHARE*



*adjusted for 3 for 1 split in August, 1959

Sales of Heudebert, S.A., a French food company in which General Mills has a minority interest, gained over the previous year. A director of European business development has been appointed to coordinate and implement General Mills' future plans for participation in the European market.

Consumer food operations in Canada showed steady progress as breakfast cereals registered a strong gain in sales. Facilities at Toronto are now being expanded for production of the new snack products—Whistles, Bugles and Daisy*. The acquisition of a macaroni company in Toronto also broadens the Canadian product line (see page 10).

Milling operations in Venezuela, Guatemala and Nicaragua completed another good year, and distribution in the Central American market of mixes produced in Guatemala expanded significantly. During the year, the specialty chemical plant of General Mills de Mexico near Mexico City added to its line a new family of products for the paint and lubricating oil industries.

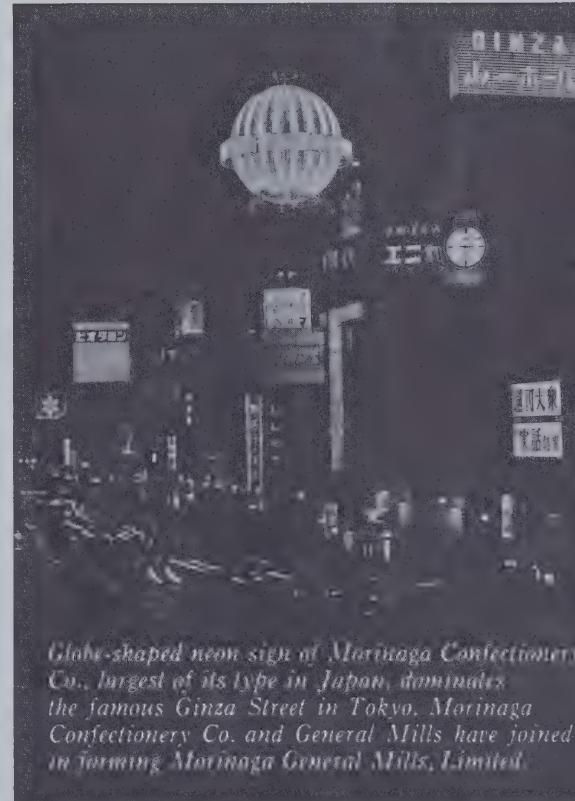
Through 1965-66, bakery flour continued to be exported to established overseas markets. Exports of mixes and cereals expanded significantly.

ACQUISITIONS

In addition to Tragason Products Limited, which broadens operations of the Specialty Products Division, General Mills acquired whole or partial interest in three other concerns.

On October 9, 1965, the company purchased for cash Rainbow Crafts, Inc., Cincinnati, Ohio, producer and marketer of creative toys. Rainbow Crafts, Inc., has one plant in Cincinnati and a new plant and warehouse in Cucamonga, Calif. It operates as a wholly owned subsidiary, and its sales and operating results from the date of acquisition have been consolidated with those of the parent company.

In February, 1966, General Mills acquired a 10 per cent interest in Smith's Potato Crisps Limited, London, England, a prominent international snack producer. Smith's is the leading potato chip producer in England and has



Globe-shaped neon sign of Morinaga Confectionery Co., largest of its type in Japan, dominates the famous Ginza Street in Tokyo. Morinaga Confectionery Co. and General Mills have joined in forming Morinaga General Mills, Limited.

operations in Holland, Belgium and Australia plus minority interests in French, Danish and Irish companies. In addition to potato chips, the company's products include cookies, nuts, raisins and related snacks.

Acquisition of Toronto Macaroni & Imported Foods Limited of Toronto, effective with the beginning of fiscal 1966-67, greatly expands General Mills' consumer foods business in Canada. This company markets a variety of macaroni and related food products under the Lancia, Bravo and Surget brand names.

On June 27, 1966, shortly after the close of the fiscal year, stockholders of General Mills at a special meeting approved acquisition of the business and substantially all of the assets of Tom Huston Peanut Company, Columbus, Ga. Stockholders of Tom Huston also approved the acquisition on the same day. It is anticipated that the transaction will be completed as soon as practicable after Tom Huston receives from the Internal Revenue Service a favorable tax ruling for which it has applied. Under terms of the agreement, J. W. Feighner, President of Tom Huston Peanut Company, is to be elected to the Board of Directors of General Mills.

Tom Huston produces snack and confectionery food products that are distributed in nearly all states through independent distributors. Currently, its line includes candies, peanuts, potato and corn chips, peanut butter and sweet sandwiches and related products, all sold under the Tom's label. It operates plants at Columbus, Ga., Corsicana, Texas, Knoxville, Tenn., Macon, Ga., and Salem, Va. In the fiscal year that ended August 28, 1965, the company earned \$3,821,490 on sales of \$43,283,872.

In exchange for the assets of Tom Huston Peanut Company, General Mills expects to issue 1,644,605 shares of a new series of cumulative convertible preference stock (no par value). This stock, authorized by stockholders at the annual meeting in 1965, has voting rights and is entitled to cumulative quarterly dividends at the rate of \$1.75 per year. It is convertible to General Mills' common stock at the ratio of 0.85 common shares for each preference share. The preference stock is callable at any time on or after the fifth anniversary of the date of issuance at \$65 per share the first year, one dollar less each succeeding year until the 10th year after the issue date, and thereafter at \$60 per share.

MANAGEMENT

Richard L. Schall, who has served as Controller of General Mills' Flour Division since 1962, was elected Treasurer of General Mills effective February 21, 1966. Mr. Schall replaced Gordon W. Bassett, a veteran of 35 years with General Mills, who was appointed to the newly created post of Executive Assistant to the Financial Vice President.

A graduate of Macalester College in St. Paul, Minn., Mr. Schall joined General Mills in 1952 in the Grain Department. Before becoming Controller of the Flour Division, he served as Special Assistant to the Executive Vice President.

Mr. Bassett, a graduate of the University of Minnesota, has served as Chief Grain Accountant for the company and in a wide variety of financial assignments as well as company Treasurer for four years.

As announced in last year's annual report, James A. Summer, a Vice President who formerly served as Assistant Controller, was named Controller of General Mills on June 28, 1965. That same month, H. B. Atwater, Jr., Director of Marketing for Grocery Products Flour, Dessert and Baking Mixes, and G. E. Whiteman, Director of Grain Operations, Flour Division, were named Division Vice Presidents.

On June 27, 1966, Miss Mercedes Bates, Director of the Betty Crocker Kitchens, became the first woman to be elected a Vice President of General Mills. A nationally known home economist with a wide range of experience, Miss Bates joined the company in August, 1964, after serving as Senior Food Editor of McCall's magazine. She now directs an expanding home service program emanating from modern, new kitchens.

Three retired executives of General Mills, two of them former board members, died during the year. William R. Morris of Buffalo, N.Y., who served as a Vice President of General Mills from 1936 until his retirement in 1945 and as a member of the Board of Directors from 1932 until 1940, died August 12, 1965, after a long illness. Don A. Stevens, who retired in 1964, died July 16, 1965. He had been a Vice President of General Mills since 1949 and member of the Board of Directors from 1952 until his retirement. Harry C. Lautensack, Buffalo, N.Y., died on February 7, 1966. He had retired as a Vice President in 1957 after 48 years of service. General Mills' continuing strength serves as a memorial to their work and dedication over the years.

PERSONNEL SERVICES

During the past year, the Board of Directors adopted a number of improved benefits for salaried employees of General Mills. These include a widows' benefit for employees who die at age 55 or over while in active service and increased pensions for employees who retire before age 65. The increased pensions apply to early retirements on and after June 1, 1965. Major medical benefits for salaried and retired employees were made non-contributory. An insured long-term disability income plan was offered to employees at their option and cost. A company-paid major medical plan was also negotiated with the principal union representing General Mills employees.

Because of the sound financial condition of the Employees' Retirement System for salaried employees, the Board of Directors authorized a temporary suspension of employees' contributions for a 10-month period beginning March 1, 1966. Whether employee contributions will be resumed, and if so, to what extent, will depend on future reviews and determinations by the board.

In 1965-66, General Mills joined other leading companies in the Minneapolis area to establish the Metropolitan Employers Voluntary Plans for Progress Council. The organization seeks to increase and improve employment opportunities in the community for members of minority groups.

LABOR RELATIONS

General Mills' relationship with the 42 local unions who serve as the collective bargaining representatives of the company's employees continued satisfactorily throughout the year. With only a few exceptions, labor contracts negotiated during 1965 were of two or more years' duration; prospects for continued industrial harmony are, therefore, enhanced as is the opportunity to strengthen already constructive relationships.

Two work stoppages occurred during the year. One, involving 37 people at Great Falls, Mont., lasted for 20 working days; the other, at Toronto, Canada, was of 15 days' duration.

PUBLIC RELATIONS

The Betty Crocker Search for the American Homemaker of Tomorrow, General Mills' educational-scholarship program for young women, completed its 12th year with record enrollment. More than 570,000 girls were enrolled by 14,714 high schools in the 50 states and the District of Columbia. One hundred and two students, selected by examination, received scholarships ranging from \$500 to \$5,000. The Betty Crocker Search is conducted annually to help the nation's schools prepare young women for their future responsibilities as homemakers.

Company shareowners in the San Francisco and Chicago areas helped launch an innovation in stockholder relations during the year. On March 17 at San Francisco and April 26 in Chicago, company owners heard firsthand reports from key members of management at informal meetings of a new type. Scheduled to coincide with presentations to financial analysts in these cities, the meetings offered timely opportunities to bring management into closer contact with stockholders.



Play-Doh, a colorful, flexible modeling compound, is popular with the younger set. The Play-Doh Fun Factory is a creative toy that operates much like a cookie press. Both products are made and distributed by Rainbow Crafts, Inc., a new subsidiary of General Mills.

This plant of Smith's Potato Crisps Limited, near London, is one of 13 strategically placed in the United Kingdom.



On May 19, 1966, General Mills received a Silver Anvil Award from the Public Relations Society of America. The honor was for the public relations program conducted in connection with the closing of nine of the company's flour mills.

From the New York Board of Trade, General Mills also received an award for sponsorship of an "Art of Two Cities" exhibit. Featuring works by the faculties of the Kansas City Art Institute and School of Design and the Minneapolis School of Art, the exhibit toured cities throughout the United States in 1965-66. The New York Board of Trade, in announcing the award, described the "Art of Two Cities" program as a "great public service in promoting greater appreciation of the arts."

COMMON STOCK PURCHASE

During the year, the company acquired 21,600 shares of its common stock. At May 29, 158,594 shares of common stock were held in the Treasury, including 68,000 shares purchased as part of a program adopted by the Board of Directors in April, 1964, and 68,600 shares acquired under a later authorization to purchase up to 250,000 shares on the open market. These special stock purchase authorizations were terminated by the Board of Directors in November, 1965. Shares purchased under these special programs will be held in the Treasury and will be available for use in any future acquisitions or for other corporate purposes.

10 YEARS IN REVIEW

000 omitted from dollar amounts
and from shares outstanding.

	52 Weeks Ended		Years Ended May 31							
			May 29		May 30		Years Ended May 31			
	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957
Operations										
Sales.....	\$524,678	558,970	541,346	523,946	546,401	575,512	537,818	545,998	529,820	527,702
Federal taxes on income.....	\$ 17,061	18,689	16,183	14,065	9,027	11,459	10,847	17,276	16,287	14,197
Net earnings.....	\$ 23,336	20,384	17,185	14,912	10,154	12,832	11,515	16,817	14,694	12,235
Earnings per sales dollar.....	4.4¢	3.6	3.2	2.8	1.9	2.2	2.1	3.1	2.8	2.3
Dividends—common stock.....	\$ 10,631	9,867	9,164	8,683	8,656	8,596	8,117	6,892	6,849	6,841
—preferred stock.....	\$ —	276	1,107	1,107	1,106	1,107	1,107	1,107	1,107	1,107
Earnings in excess of dividends.....	\$ 12,705	10,241	6,914	5,122	393	3,129	2,291	8,818	6,738	4,287
Depreciation.....	\$ 10,114	8,353	8,378	7,324	7,426	8,426	7,681	6,966	6,306	5,629
Financial Data										
Working capital.....	\$ 70,042	57,759	87,425	89,040	79,766	73,243	74,678	87,636	78,898	71,255
Land, buildings and equipment.....	\$155,826	127,397	124,037	116,614	117,940	124,780	121,048	106,803	95,574	85,532
Net expenditures for plant and equipment.....	\$ 41,568	24,787	13,046	8,561	9,435	8,637	19,753	17,950	15,859	16,749
Common and Preferred Stock*										
Earnings per common share.....	\$ 3.07	2.65	2.11	1.90	1.25	1.63	1.46	2.26	1.98	1.63
Dividends per common share.....	\$ 1.40	1.30	1.20	1.20	1.20	1.20	1.15	1.00	1.00	1.00
Taxes per common share (Federal, State, Local).....	\$ 3.17	3.41	3.01	2.88	2.19	2.57	2.34	3.25	3.08	2.72
Common shares outstanding.....	7,595	7,585	7,625	7,251	7,224	7,193	7,139	6,964	6,857	6,845
Preferred shares outstanding.....	—	—	221	221	221	221	221	221	221	221
Number of stockholders.....	27,151	28,650	32,700	30,000	28,400	23,500	19,100	14,560	14,250	13,500
Stockholders' equities.....	\$155,144	144,141	175,207	169,118	163,456	163,971	159,596	154,098	143,055	136,101
Employees										
Number of employees.....	10,370	10,690	10,500	11,190	12,960	14,690	13,830	13,560	13,330	13,700
Wages, salaries and retirement benefits.....	\$ 82,879	83,029	81,588	87,163	91,439	93,652	85,515	81,604	78,140	74,671

*Adjusted to reflect equivalent figures after increase in number of common shares due to three-for-one split in August, 1959.

GENERAL MILLS TODAY

CHEMICAL DIVISION, headquartered at Kankakee, Ill., produces a broad range of chemically derived products for industry and home. A line of polyamide resins and organic nitrogen derivatives serves in coatings, packaging, adhesives, mining, petroleum, textiles and cosmetics. Soya sterols, tocopherol, vitamin A and vitamin E products are marketed to pharmaceutical, human nutritional and animal feed industries. O-CEL-O sponges and related products are widely used in the home and in many industrial applications. Typical of the new products that flow from the division are Versalon polyamide resins, which are instant setting hot melt adhesives, DDI diisocyanate, a new chemical building block with promise in the plastic, paper, textile and sealant industries, and LIX-64, a reagent for the recovery and purification of copper.

FLOUR DIVISION operates the company's mills and elevators, merchandises grain, produces and markets commercial flours and oat products. In addition, the division's rapidly growing Food Service Department produces and sells more than 85 convenience food products for the important, multi-billion-dollar meals-away-from-home market, including such mass feeding establishments as restaurants, hotels, institutions and cafeterias. The department's best known products include prepared baking mixes, a variety of sauce and specialty mixes, individual size breakfast cereals, processed potato products and snacks. The division also serves the baking industry with both branded flour and baking mixes.

GROCERY PRODUCTS DIVISION, largest of the company's operations, produces and sells Big G breakfast cereals, Gold Medal and Gold Medal Wondra instantized family flour, pet food and a new line of snacks, plus a family of mix products sold under the well-known Betty Crocker label. These Betty Crocker products include cake, cookie, biscuit, pancake, muffin, pie crust, frosting and pudding cake mixes, casserole dishes and instant potato products.

INTERNATIONAL DIVISION develops and co-

ordinates overseas operations of General Mills. The division is directly responsible for consumer food operations in Canada and Japan, specialty chemical production and sales in Mexico, milling operations in Central and South America and the export of flour and consumer products.

SPECIALTY PRODUCTS DIVISION sells a long line of products to food, pharmaceutical, textile, oil, paper, mining and other industries. Among these products are vegetable gums, wheat starches and proteins, wheat germ oil, soybean specialties and beverage concentrates for dairies. The division also markets Sno*Flok, a Christmas decorating kit, to consumers and distributes monosodium glutamate.

SPERRY OPERATIONS have been assigned responsibility for the business of the Flour and Grocery Products Divisions in the western United States.

WHOLLY OWNED AND ACTIVE SUBSIDIARIES: General Mills Cereals, Ltd., Canada, package foods; General Mills de Mexico, S.A., specialty chemicals; General Mills de Venezuela, S.A., flour; General Mills Inc. (a Panamanian corporation), Guatemala, flour and baking mixes; Gold Medal Insurance Co., selected coverage of General Mills properties; Tom Huston Peanut Company*, confections, chips, nut products; Morton Foods, Inc., snack foods; Rainbow Crafts, Inc., creative toys; Toronto Macaroni & Imported Foods Limited, Canada, macaroni and related products; Tragason Products Limited, England, vegetable gums.

PARTIALLY OWNED AND ACTIVE SUBSIDIARIES: Habib-General Limited, Karachi, Pakistan, guar gums; Industria del Maiz, S.A., Guatemala, corn flour; Industrias Gem-Ina, S.A., Nicaragua, flour; Morinaga General Mills, Limited, Japan, convenience foods.

OTHER COMPANIES IN WHICH GENERAL MILLS HAS AN INTEREST: Grandes Molinos de Venezuela, S.A., flour; Heudebert, S. A., France, rusks, bread and biscuits; Smith's Potato Crisps Limited, England, snack foods.

*Subject to completion of acquisition referred to on page 10

GENERAL MILLS, INC., & ITS CONSOLIDATED SUBSIDIARIES



RESULTS OF OPERATIONS	52 Weeks Ended	
	May 29, 1966	May 30, 1965
SALES OF PRODUCTS AND SERVICES.....	\$524,678,315	\$558,970,454
COSTS:		
Cost of products and services sold, exclusive of items shown below.....	345,066,691	383,806,866
Depreciation (Note 4).....	10,114,040	8,352,753
Interest.....	3,407,299	1,989,849
Contributions to employees' retirement plans (Note 10).....	1,380,762	1,617,070
Profit sharing distribution.....	2,113,000	1,880,000
Selling, general and administrative expenses.....	122,199,487	122,250,997
Federal taxes on income (Note 7).....	17,061,000	18,689,000
Total costs.....	501,342,279	538,586,535
EARNINGS FOR THE YEAR (Note 8)	\$ 23,336,036	\$ 20,383,919

EARNINGS EMPLOYED IN THE BUSINESS	52 Weeks Ended	
	May 29, 1966	May 30, 1965
EARNINGS FOR THE YEAR	\$ 23,336,036	\$ 20,383,919
DIVIDENDS:		
5% preferred stock.....	—	276,201
Common stock (\$1.40 per share, 1966, and \$1.30 per share, 1965).....	10,630,798	9,866,790
Total dividends.....	10,630,798	10,142,991
EARNINGS IN EXCESS OF DIVIDENDS	12,705,238	10,240,928
OTHER ADDITIONS (DEDUCTIONS):		
Extraordinary costs arising from closing of Refrigerated Foods Division facilities, 1966, and from withdrawal from portion of the flour milling business, 1965 (Note 8)	(4,000,000)	(12,764,000)
Reduction of reserves provided in prior years for liquidation of feed, electronics and oilseeds operations.....	2,618,787	—
Excess of redemption cost over par value of preferred stock.....	—	(3,598,937)
NET INCREASE (DECREASE) IN EARNINGS EMPLOYED IN THE BUSINESS	11,324,025	(6,122,009)
EARNINGS EMPLOYED AT BEGINNING OF YEAR	99,268,388	105,390,397
EARNINGS EMPLOYED AT END OF YEAR (Note 6)	\$110,592,413	\$ 99,268,388

See accompanying notes to consolidated financial statements on following pages.

FINANCIAL POSITION

May 29, 1966

May 30, 1965

CURRENT ASSETS:

Cash.....	\$ 9,001,563	\$ 4,526,832
Short-term marketable securities (at cost, approximates market value)	37,679,829	33,455,258
Receivables (Note 2).....	38,117,804	37,658,730
Inventories (Note 3).....	45,573,411	43,318,433
Total current assets.....	130,372,607	118,959,253

CURRENT LIABILITIES:

Notes payable	4,300,000	—
Accounts payable and accrued expenses.....	40,474,384	39,800,703
Accrued taxes.....	12,461,162	17,815,568
Thrift accounts of officers and employees.....	3,094,950	3,583,916
Total current liabilities.....	60,330,496	61,200,187
WORKING CAPITAL.....	70,042,111	57,759,066

OTHER ASSETS:

Sundry costs chargeable to future periods.....	5,651,479	4,403,797
Land, buildings and equipment (Note 4).....	155,826,400	127,397,008
Miscellaneous assets.....	9,001,305	3,883,192
Future Federal income tax benefits (Note 7)	8,556,242	12,549,361
Goodwill, patents, trade names and other intangibles (Note 5).....	1,970,363	3,281,587
Total other assets.....	181,005,789	151,514,945
WORKING CAPITAL AND OTHER ASSETS	251,047,900	209,274,011

LONG-TERM DEBT, RESERVES AND DEFERRED LIABILITIES:

Long-term debt (Note 6)	80,370,089	45,366,781
Deferred Federal income taxes (Note 7)	4,722,061	3,928,834
Reserve for disposition losses (Note 8)	8,010,322	13,320,218
Other reserves	2,801,717	2,517,058
Total.....	95,904,189	65,132,891
EXCESS OF ASSETS OVER LIABILITIES AND RESERVES	\$155,143,711	\$144,141,120

STOCKHOLDERS' EQUITIES (Notes 9 and 10):

Common stock:		
Issued.....	\$ 51,673,088	\$ 50,908,294
Earnings employed in the business	110,592,413	99,268,388
Treasury stock (deduct)	(7,121,790)	(6,035,562)
TOTAL STOCKHOLDERS' EQUITIES	\$155,143,711	\$144,141,120

See accompanying notes to consolidated financial statements on following pages.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1/PRINCIPLES OF CONSOLIDATION

The consolidated financial statements for the 52 weeks ended May 29, 1966, include the accounts of General Mills, Inc., and all wholly owned subsidiaries except an insurance sub-

sidiary. The investments in the insurance company and in minor foreign subsidiaries, not wholly owned, are included in miscellaneous assets at cost.

2/RECEIVABLES

	<u>May 29, 1966</u>	<u>May 30, 1965</u>
Customers	\$ 33,262,499	\$ 34,473,676
Miscellaneous	<u>5,974,453</u>	<u>5,020,260</u>
	39,236,952	39,493,936
Less allowance for possible losses	<u>1,119,148</u>	<u>1,835,206</u>
	<u>\$ 38,117,804</u>	<u>\$ 37,658,730</u>

3/INVENTORIES

	<u>May 29, 1966</u>	<u>May 30, 1965</u>
Package foods, chemical products, etc., at lower of cost or market.....	\$ 25,081,529	\$ 20,845,358
Grain for processing and flour, at market, after appropriate adjustment for open cash trades, unfilled orders, etc.....	13,480,957	15,842,123
Containers, supplies, etc., at cost.....	<u>5,749,955</u>	<u>5,522,959</u>
	44,312,441	42,210,440
Advances on grain and other commodities	<u>1,260,970</u>	<u>1,107,993</u>
	<u>\$ 45,573,411</u>	<u>\$ 43,318,433</u>

4/LAND, BUILDINGS AND EQUIPMENT

	<u>May 29, 1966</u>	<u>May 30, 1965</u>
Buildings and equipment.....	\$252,820,368	\$219,256,225
Less accumulated depreciation	<u>87,177,260</u>	<u>82,233,994</u>
Depreciated cost of buildings and equipment.....	165,643,108	137,022,231
Land.....	<u>6,024,441</u>	<u>5,763,255</u>
	171,667,549	142,785,486
Provision for losses on disposition of facilities (Note 8).....	<u>15,841,149</u>	<u>15,388,478</u>
Net value	<u>\$155,826,400</u>	<u>\$127,397,008</u>

Land, buildings and equipment are stated substantially at cost. Depreciation included in the accompanying financial

statements for the most part has been provided by the straight-line method.

5/GOODWILL, PATENTS, TRADE NAMES AND OTHER INTANGIBLES

This amount represents costs in excess of the net tangible asset values of acquired companies, including amounts allocated to patents and patent applications, less amortization charged to operations. The principal items being amortized are patent costs which are charged against operations over

the remaining lives of the patents. The unamortized balance of goodwill, patents and patent applications related to the Refrigerated Foods Division has been charged to the reserve for disposition losses (Note 8).

6/LONG-TERM DEBT

Long-term debt consists of the following:

	<u>May 29, 1966</u>	<u>May 30, 1965</u>
Three 20-year 3 1/2% promissory notes of \$5,000,000 each, payable August 1, 1972, May 1, 1974, and May 1, 1975	\$ 15,000,000	\$ 15,000,000
Three 25-year 4 1/4% promissory notes of \$10,000,000 each, payable May 1, 1982, May 1, 1983, and May 1, 1984	30,000,000	30,000,000
4 5/8% sinking fund debentures, due August 1, 1990	35,000,000	—
Miscellaneous mortgage loans (excluding current portion)	<u>370,089</u>	<u>366,781</u>
	<u>\$ 80,370,089</u>	<u>\$ 45,366,781</u>

Sinking fund and principal payments due on long-term debt do not exceed \$100,000 annually during the next four years and aggregate \$1,431,000 in the fiscal year ending in 1971. The terms of the promissory note agreements place restric-

tions on the payment of dividends and capital stock purchases and redemptions. At May 29, 1966, \$39,800,000 of earnings employed in the business was free of such restrictions.

7/FEDERAL TAXES ON INCOME

Future Federal income tax benefits applicable to disposition losses provided for during the current year (\$3,241,000) and prior years (\$5,315,242) will be used to reduce the tax liability in years when the losses become tax deductions. A provision of \$899,227 has been charged to the current year's operations for deferred Federal income taxes payable in

future years arising from the major net differences between tax and book income, principally the excess of tax over book depreciation. The investment credit for 1966, amounting to \$2,437,818, was credited to the provision for income tax expense for the year.

8/EXTRAORDINARY COSTS

On June 27, 1966, the Board of Directors authorized the company to discontinue the operations and dispose of the facilities of the Refrigerated Foods Division. Provision has been made for the estimated applicable losses and costs in the amount of \$4,000,000 (after related income tax credits)

by a charge to earnings employed in the business in the fiscal year ended May 29, 1966. The amount provided will be shown as a special charge after the determination of net income in the company's annual report (Form 10-K) filed with the Securities and Exchange Commission.

9/STOCKHOLDERS' EQUITIES

\$100 par value cumulative prior preferred stock:

Authorized	500,000
Issued	—

No par value cumulative preference stock:

Authorized	2,000,000
Issued (Note 10)	—

Common stock — \$3 par value:

Authorized	11,500,000
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Reserved for issuance under stock option plans:

Options outstanding	132,486
Available for grant	300,000

Issued at stated value	7,753,110	\$ 51,673,088
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Earnings employed in the business	110,592,413	\$ 50,908,294
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Less common stock held in Treasury — at cost	158,594	7,121,790
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Common stockholders' equities	<u>\$155,143,711</u>	<u>\$144,141,120</u>
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Options granted to 129 officers and employees to purchase 132,486 shares of common stock at prices ranging from \$25.63 to \$61.69 were outstanding at May 29, 1966, under the terms of a stock option plan which expired on June 1, 1965. Included in the options outstanding are options for 30,250 shares granted during the 1965 fiscal year which will become exercisable during the 52 weeks ending May 28, 1967. Options granted under this expired plan terminate either five or 10 years after date of grant with certain exceptions due to death or disability. During the year, options for

25,803 shares were exercised at an average price of \$29.64 per share, and options for 750 shares expired.

Under a qualified stock option plan approved by the stockholders in August, 1965, options for 300,000 shares of common stock may be granted at not less than 100% of fair market value on the date of grant. Such options are exercisable only by active employees in cumulative instalments of one-third in each year beginning with the third year following date of grant and expire at the end of the fifth year with certain exceptions due to death, disability or retirement.

10/OTHER MATTERS

As of May 29, 1966, the unpaid cost of past services in connection with the several employees' retirement plans has been estimated by independent actuaries to be \$12,473,000.

Commitments at May 29, 1966, for unexpended appropriations for property additions and improvements and for the purchase of the outstanding capital stock of Toronto Macaroni & Imported Foods Limited (acquired May 30, 1966) amounted to approximately \$31,800,000.

Subject to certain conditions, the company has agreed to exchange 1,644,605 shares of \$1.75 cumulative convertible preference stock (no par value) for the business and substantially all of the assets of Tom Huston Peanut Company.

There was no litigation pending at May 29, 1966, not provided for in the accounts, which, in the opinion of management, would have a significant effect on the financial position of the company.

General Mills, Inc., and its Consolidated Subsidiaries

SOURCES AND USES OF WORKING CAPITAL

	52 Weeks Ended	
	May 29, 1966	May 30, 1965
000 omitted		
Working Capital Provided By:		
Earnings for the year	\$23,336	\$20,384
Add expenses not requiring cash outlays:		
Depreciation	10,114	8,353
Deferred Federal income taxes and other items	1,944	1,963
Total working capital provided from operations	35,394	30,700
Increase (decrease) in long-term debt	35,003	(291)
Sale of stock upon exercise of options	765	1,192
Other working capital provided	3,300	4,880
TOTAL WORKING CAPITAL PROVIDED	74,462	36,481
Working Capital Used For:		
Net additions to plant and equipment	41,568	24,787
Dividends	10,631	10,143
Retirement of preferred stock	—	25,746
Purchase of common stock for Treasury	1,293	4,161
Investments in partially owned companies	5,121	—
Other working capital used	3,566	1,310
TOTAL WORKING CAPITAL USED	62,179	66,147
NET INCREASE (DECREASE) IN WORKING CAPITAL	12,283	(29,666)
WORKING CAPITAL AT BEGINNING OF YEAR	57,759	87,425
WORKING CAPITAL AT END OF YEAR	\$70,042	\$57,759

Working Capital is the excess of current assets over current liabilities. It represents the "liquid" or "working" funds which support the regular operations of the business.

In August, 1965, the company received \$35,000,000 from the sale of its 4 1/2% sinking fund debentures. In addition, after deduction of dividends, the year's operations provided about \$25,000,000 in working capital. During the year, net investment in new plant facilities amounted to about \$42,000,000.

Overall, working capital increased about \$12,000,000 during the year to over \$70,000,000 on May 29, 1966. Of this total working capital, about \$33,000,000 was in use in the form of inventories, amounts due from customers and operating cash requirements—after deduction of current liabilities. The balance of about \$37,000,000 was invested in short-term securities and is available for plant expansion, acquisitions and for increases in inventories and receivables needed for higher sales.

ACCOUNTANTS' REPORT

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

NORTHWESTERN BANK BUILDING

MINNEAPOLIS, MINN. 55402

The Stockholders and the Board of Directors
General Mills, Inc.:

We have examined the statement of financial position of General Mills, Inc. and consolidated subsidiaries as of May 29, 1966, and the related statements of results of operations and earnings employed in the business and the statement of sources and uses of working capital for the 52 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of financial position and statements of results of operations and earnings employed in the business present fairly the financial position of General Mills, Inc. and consolidated subsidiaries at May 29, 1966, and the results of their operations for the 52 weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying statement of sources and uses of working capital presents fairly the information shown therein.

MARKETING... SERVING TO SELL

The art of marketing has been described as the continuous perfecting of a "romance" between a manufacturer and the consumer.

If this is true, the "romance" between General Mills and the American consumer has been continuing for many years, going back to the days of the original predecessor companies.

In the early 1900's, American homemakers were receiving Valentine cards from the Washburn Crosby Company which read: "Be my Valentine. Eventually, why not now?" Attached to the card was a miniature sack of Gold Medal Flour.

Since that time, the marketing concept in American business has grown increasingly sophisticated and complex. Nevertheless, the basic principles remain the same. In essence, they are: (1) Find out what the consumer wants and needs; (2) Develop or improve products or services that answer those wants and needs better than ever before; (3) Find ways to induce the consumer to choose your products and to keep on choosing them.

Underlying the whole is the concept of service to the customer. This is particularly important to a company like General Mills, whose success so greatly depends on heavy and continuous repeat sales. At the same time, efficient modern marketing advances the interests of the company and its stockholders by spotlighting market opportunities as they develop, by helping to hold costly product failures to a minimum and by developing guides for optimal use of company funds and energies in such areas as research, advertising, sales and sales promotion.

General Mills, throughout its history, has been a pioneer in scientific marketing. Many of the techniques the company uses today were forged during years of experience. Never before has growth in major markets been so dynamic, however, nor have changes in customer wants and needs been so rapid and far-reaching. The American food business—largest of any American industry by far—reached a level of about 80 billion dollars in 1966 and is growing at an average rate of five per cent a year, which is more than twice the growth rate of the nation's population.

Some segments of America's 40-billion-dollar chemical industry are increasing even faster—particularly the large and growing "specialty chemical" segment in which General Mills competes. (Example: Portions of the plastics industry in which General Mills has developed particularly unique skills and products are expected to more than triple by 1980, compared with 93 per cent predicted growth for manufacturing as a whole.) The food service market, in which the company's Flour Division competes, is comprised of food items required by schools, restaurants and institutions; it has more than doubled in the last 15 years, reaching a gross volume (including beverages) of 29 billion dollars in 1966, and is expected to reach 34 billion dollars by 1970.

The need to keep abreast and ahead of the changing challenges of our times is the reason scientific marketing has become of increasing importance to American business. To meet this need, General Mills and others put to work a wide range of methods and procedures, bringing together the training and talents of the marketing researcher, the product developer, the product manager, the computer programmer, the product salesman, the packaging expert, advertising and promotion specialists, production engineers and many others.

A key figure in the total marketing picture at General Mills is the product manager. His is the primary responsibility for the success or failure of a product assigned to him. It is his duty to coordinate the activities of others whose specialized skills and talents can contribute to product performance from start to finish.



A Grocery Products marketing director meets with marketing research specialists to gain information and plan strategy.

Different markets demand different techniques, including packaging. For sale in restaurants and other food service outlets, Bugles, Whistles and Daisy^s, new General Mills snacks, are packed in small, serving-size bags.*



Among those who work with the product manager is the marketing researcher, representative of the element in modern business which is credited by many with detonating the marketing revolution of our times. The marketing researcher, with the aid of collected and analyzed scientific data, has been most effective in saying to the American businessman: "The focal point of all your thinking must be the consumer. Not what *you* want to sell, but what *she* wants to buy, is what matters!" What does the consumer want to buy? It is the researcher's job to find out—and at General Mills the responsibility is handled by highly effective research and corporate planning and development staffs at the company's Central Research Laboratories, General Offices and operating divisions.

Ideas for new products may come from anywhere. The Central Research Laboratories are a particularly rich source, as are the Betty Crocker Kitchens. Other sources include customers, divisional operating staffs, advertising agency personnel, salesmen in the field. After preliminary evaluation, the Central Research Laboratories develop the new product concepts into tangible "prototypes" and usually produce them in pilot plants for elaborate test programs. During this phase, each product idea may be subjected repeatedly to "taste" and "consumer acceptance" testing under the supervision of the Central Research staff, usually resulting in numerous laboratory changes and modifications. If evidence mounts that the proposed new or improved product will win high consumer acceptance, then production, packaging, sales and advertising specialists begin plans for test market introductions. Satisfactory performance in the test markets indicates that the new product is ready for broad distribution.

What is important about all this is that modern research has added a new step to the old procedure of getting an idea, making a product, putting the product on the production line and then offering it to the consumer. The new step consists of using highly scientific techniques and elaborate testing procedures in an effort to determine whether a product can be sold *before* trying to sell it. In view of the tremendous cost of present-day product innovation, the value of this procedure is obvious.

When the product has achieved national distribution, its success depends mainly on sales, advertising and promotion. Each must play its coordinated role in moving the product from production line to ultimate consumer use.

In recent years, particularly since the advent of television and mass marketing, advertising has become increasingly important. In 1965-66, General



FLIPPER, a television star who is all wet and should be, helps General Mills market consumer products. Appearing on NBC-TV Saturday evenings, the acting dolphin has consistently won a place among top-rated all-family shows. General Mills has been a sponsor of **FLIPPER** for two seasons and will participate in the year ahead.

Mills spent \$42,973,000 in advertising media to maintain and strengthen its market position.

Many years ago, General Mills established three principles to guide its advertising efforts:

- (1) Our advertising shall be truthful, informative and educational.
- (2) Our advertising shall render the maximum of helpful service.
- (3) Our advertising shall, insofar as possible, seek to expand markets rather than merely to take business away from competitors.

These principles are still basic in General Mills advertising today, whether the medium be newspaper, magazine, radio, TV, billboard or door-to-door sampling. What has changed, through the years, is the increased effectiveness of scientific techniques in measuring the market impact of advertising expenditures. Large expenditures alone do not guarantee success. As budgets increase, the responsibilities of the scientific marketer grow increasingly great.

While advertising is bringing the consumer to the product, the General Mills sales organization is vigorously at work to bring the product to the consumer. At every level involving new product introduction or established product performance, the General Mills sales department plays a vital role—advising, consulting, merchandising—bringing “firing line” experience to bear on theoretical considerations. In the field, approximately 650 Grocery Products managers, professional salesmen and marketers, for example, cover all levels of the complex distribution network, keeping the trade receptive to General Mills’ products, promotions and programs and maintaining the company’s long-established tradition of “sales through service.” General Mills food salesmen regularly call on 3,600 direct-buying accounts as well as the 50,000 food stores which regularly account for 85 per cent of all grocery store food sales in America.

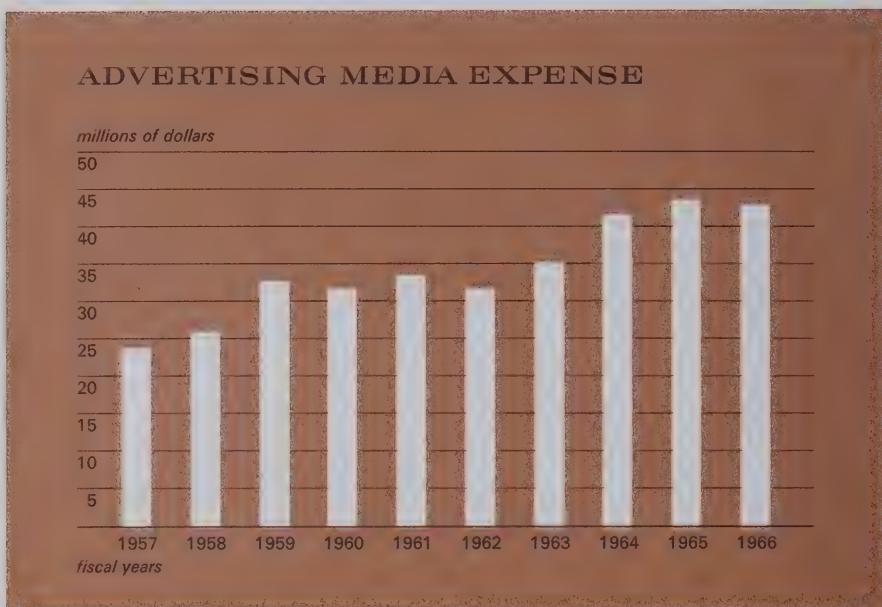
In markets other than the nationwide food market, problems are different, and General Mills sales procedures vary accordingly. Some of the company’s products—notably the O-CEL-O and Food Service lines—are sold through independent distributors or brokers. In other activities, in which flour, chemical and specialty products are marketed, customers use General Mills products as intermediates in the manufacture of their own products. Bakers, for instance, do not sell flour, but flour mixed with other ingredients and baked into bread. General Mills pharmaceuticals offer ingredients for the pharmaceutical products of others, and the company’s other specialty chemicals are similarly employed in a wide variety of industries.



Few people take their refreshments from yard-long glasses. But this arresting picture, in advertising, helps the Specialty Products Division of General Mills sell fruit drink concentrates to dairies.



Loyal customers redeem hundreds of millions of Betty Crocker coupons annually for silverware, cookware, kitchen tools, cutlery, bakeware, crystalware and other aids to homemaking.



A unique method of merchandising the new Versalon brand resin adhesives has been developed for specialty chemical salesmen. It consists of a truck stocked with virtually everything required to adapt the product to a customer's needs. The truck is driven right to the prospective buyer's plant, and equipment and material are used for on-the-spot demonstrations.

Supporting the total General Mills marketing effort—from initial product concept to ultimate sale—are assets which General Mills has and others can only envy. Among these are:

BETTY CROCKER, the food industry's outstanding symbol of integrity and service. Letters beginning "Dear Betty Crocker," seeking advice or menu suggestions, come to the company by the thousands—and are individually answered. Sales of Betty Crocker Cook Books, every recipe in which is tested in the famed Betty Crocker Kitchens, have totaled more than 21 million copies—making these books all-time "best sellers" next to the Bible. The Betty Crocker Education Program, also based on materials developed by the Betty Crocker Kitchens, is currently in 40,000 classrooms.

BETTY CROCKER COUPON PLAN, begun in 1930 and continued without interruption except during the war years. Coupons are carried with every General Mills consumer food package, redeemable by individuals, clubs and church groups for silverware, crystalware, kitchenware and similar valuable items. Each coupon serves as a "bonus" to buyers for loyalty to General Mills brands and as an inducement for repeat buying. No other food manufacturer has anything to equal it.

WHEATIES SPORTS FEDERATION, headed by dynamic Bob Richards, two-time Olympic champion. The Federation sponsors physical fitness programs for the nation's youth, distributes sports educational films and booklets to schools and communications media, cooperates with the United States Junior Chamber of Commerce in sponsoring "Junior Champ" athletic events nationwide, supports the U.S. Olympic program. It emphasizes in all

PLANT LOCATIONS

PACKAGE FOODS PLANTS

Buffalo, New York
Chicago, Illinois
Lancaster, Ohio
Lodi, California
Toledo, Ohio
Toronto, Canada
West Chicago, Illinois

REFRIGERATED FOODS PLANTS

*Charlotte, North Carolina
*Garland, Texas
*Los Angeles, California
*St. Louis, Missouri

CHEMICAL PLANTS

Kankakee, Illinois
Ossining, New York
Tlalnepantla, Mexico
Tonawanda, New York

SPECIALTY PRODUCTS PLANTS

Hooton, England
(Tragason Products Limited)
Karachi, Pakistan
(Habib-General Limited)
Kenedy, Texas
Keokuk, Iowa

FOOD SERVICE PLANT

St. Charles, Illinois

MORTON FOODS PLANTS

Albuquerque, New Mexico
Corpus Christi, Texas
Dallas, Texas
El Paso, Texas
Farmers Branch, Texas
Fort Worth, Texas
Lubbock, Texas
Tulsa, Oklahoma

RAINBOW CRAFTS PLANTS

Cincinnati, Ohio
Cucamonga, California

RESEARCH LABORATORIES

Minneapolis, Minnesota

FLOUR MILLS

Avon, Iowa
Buffalo, New York
Chicago, Illinois
Great Falls, Montana
Johnson City, Tennessee
Kansas City, Missouri
Los Angeles, California
Vallejo, California

TERMINAL ELEVATORS

Duluth, Minnesota
Enid, Oklahoma
Minneapolis, Minnesota
Pocatello, Idaho
Wichita, Kansas

FLOUR PACKAGING PLANT

Louisville, Kentucky

PURITY OATS PLANT

Minneapolis, Minnesota

BAG FACTORY

Vallejo, California

COUNTRY ELEVATORS

47 in Idaho, Kansas, Montana and Oklahoma

†TOM HUSTON PLANTS

Columbus, Georgia
Corsicana, Texas
Knoxville, Tennessee
Macon, Georgia
Salem, Virginia

*To be closed in August, 1966.

†Subject to completion of acquisition referred to on page 10.

activities the importance of proper rest, exercise and diet—the latter, of course, including Wheaties.

THE BIG G SYMBOL. Originally developed for the company's breakfast cereal lines, this symbol has been expanded to link all General Mills offerings into one product family. The Big G originally stood for "goodness." Now it also stands for "General Mills," and company management is further determined that in each succeeding year, it will stand for "growth" as well.

These and many other programs add effectiveness to General Mills' planning and advertising, and give the company's salesmen in the field advantages none of their rivals can duplicate.

What does all this add up to? The recent introduction of General Mills' new snack products gives dramatic evidence of what modern marketing can accomplish when the product is "right" and the company's total merchandising and research resources are brought together to produce the final result.

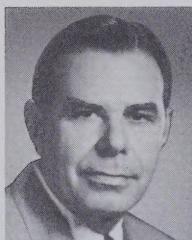
Conceived by the Central Research staff, it took years of research, testing and re-testing before the new Big G snack line—Bugles, Whistles and Daisy*—was ready to come out of the laboratories into selected test markets. Results were gratifying. The original six test markets quickly had to be reduced to three because limited pilot plant production facilities could not keep up with demand. Guided by these preliminary successes and market projections, your Board of Directors approved major appropriations for new plant facilities. Today, the company is firmly launched in a billion-dollar market in which it has never before participated. Current sales are big—and undoubtedly will grow bigger as new production facilities go into action.

It would be misleading, of course, to imply that scientific marketing, smoothly coordinating all the resources of market analysis, product research, product testing, consumer research, production, packaging, sales, advertising and promotion, will always produce such results. It can be said that this all-encompassing attack on market problems and opportunities offers a powerful tool for future growth. General Mills proposes to use this tool to the utmost in promoting a continuing "romance" between itself and its customers.

Popular Trix Rabbit reflects General Mills' demonstrated skill in marketing to young customers. In television commercials, he never gets his favorite breakfast cereal because "Trix are for kids."



BOARD OF DIRECTORS



Charles H. Bell
Minneapolis
Chairman



Ford Bell
Minneapolis
Chairman of Board,
Red Owl Stores, Inc.



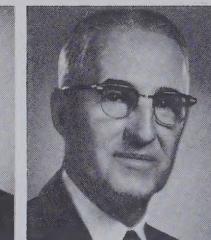
Lowry H. Crites
Minneapolis
Vice President,
General Mills, Inc.



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Minneapolis
President, Northwest
Growth Fund, Inc.



Stephen F. Keating
Minneapolis
President,
Honeywell Inc.



Gerald S. Kennedy
Minneapolis



Henry S. Kingman
Minneapolis
Chairman of Board,
Farmers & Mechanics
Savings Bank



R. Stanley Laing
Dayton, Ohio
President, National
Cash Register Company



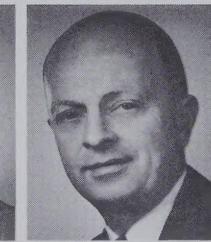
William H. Lang
St. Paul
President,
Foley Brothers, Inc.



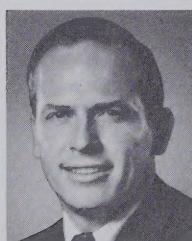
David M. Lilly
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President,
Toro Manufacturing
Corporation



Deane W. Malott
Ithaca, N.Y.
President Emeritus,
Cornell University



James P. McFarland
Minneapolis
Executive Vice President,
General Mills, Inc.



Louis F. Polk, Jr.
Minneapolis
Financial Vice President,
General Mills, Inc.



Edwin W. Rawlings
Minneapolis
President,
General Mills, Inc.



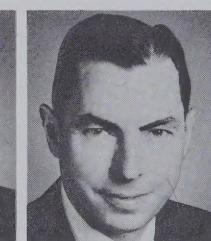
William B. Reynolds
Minneapolis
Vice President,
General Mills, Inc.



Frederick A. O. Schwarz
New York
of Davis Polk Wardwell
Sunderland & Kiendl



Charles B. Thornton
Beverly Hills, Calif.
Chairman of Board,
Litton Industries, Inc.



Walter B. Wriston
New York
Executive Vice President,
First National City Bank

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Stephen F. Keating
Gerald S. Kennedy
Henry S. Kingman
William H. Lang
James P. McFarland
Edwin W. Rawlings
Frederick A. O. Schwarz

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Chairman of Board
Edwin W. Rawlings
President
James P. McFarland
Executive Vice President

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John F. Finn
Vice President, Secretary
and General Counsel
Louis F. Polk, Jr.
Financial Vice President
James A. Summer
Vice President
and Controller
Richard L. Schall
Treasurer

TRANSFER AGENCIES

First National City Bank,
New York
Office of the Company,
Minneapolis

REGISTRARS

The Chase Manhattan Bank,
N.A., New York
Northwestern National Bank
of Minneapolis

*Elected June 27, 1966

COOKIE MIXES

BETTY CROCKER Cookie Mixes

Chocolate Fudge Brownie Mix
Chocolate Chip Fudge Brownie Mix*
Date Bar Mix
Coconut Macaroon Mix



Chocolate Chip Butterscotch Brownie Mix*
Butterscotch Brownie Mix
Vienna Dream Bar Mix
Gingerbread Mix

CAKE MIXES

BETTY CROCKER Layer Cake Mixes

White
Yellow
Devils Food
Dark Chocolate Fudge
German Chocolate
Honey Spice
Marble
Chocolate Malt
Tropical Mist
Lemon Velvet
Toffee Swirl
BUTTER BRICKLE
Black Walnut Flavor
Toasted Coconut
Milk Chocolate Flavored
Chocolate Coconut Delight
Washington Square Cherry Fudge
French Vanilla
Almond Crème
Spice 'n Apple with Raisins
Lemon Coconut Delight



Heavenly Strawberry Angel Food
Heavenly Raspberry Angel Food
Chocolate Parfait Angel Food
Lemon Custard Angel Food

BETTY CROCKER Chiffon Cake Mixes

Orange Chiffon
Lemon Chiffon

BETTY CROCKER ANSWER Cake Mixes

Yellow with Fudge
Devils Food with Fudge

BETTY CROCKER Pudding Cake Mixes

Chocolate
Lemon
Caramel

BETTY CROCKER Golden Pound Cake Mix*

BETTY CROCKER Angel Food Cake Mixes

White Angel Food
Tropical Mist Angel Food
Confetti Angel Food

SPECIALTY MIXES

BETTY CROCKER Pie Crust Sticks
BETTY CROCKER Graham Cracker Pie Crust Mix
BETTY CROCKER Pie Crust Mix
BETTY CROCKER Boston Cream Pie Mix*



BREAKFAST CEREALS



WHEATIES
CHEERIOS
TOTAL
LUCKY CHARMS
COUNTRY Corn Flakes
CORN KIX
TRIX
SUGAR JETS
FROSTY-O'S
TWINKLES
TUTTI FRUITI TWINKLES
COCOA PUFFS
Bran & Raisin Flavor Flakes
GOODNESS PACK
WACKIES*
WHEAT STAX
WHEAT HEARTS*
PROTEIN PLUS*

FLOUR



GOLD MEDAL "KITCHEN-TESTED"
GOLD MEDAL WONDERA
GOLD MEDAL Self-rising
SOFTASILK Cake Flour
PURASNOW*
SPERRY DRIFTED SNOW*

RED BAND*
LA PINA*
RED STAR*
REX*
WHITE DEER*

FROSTING MIXES



BETTY CROCKER Frostings, Ready-to-Spread

Satin White
Satin Chocolate
Satin Lemon

BETTY CROCKER Frosting Mixes, Instant

Chocolate Fudge
Vanilla Nugget
Fudge Nugget
Dark Chocolate Fudge
Washington Square Cherry Fudge
Chocolate Malt
Toasted Coconut

Creamy Spice
BUTTER BRICKLE
Coconut Pecan
Creamy White
Caramel Fudge
Lemon Velvet

BETTY CROCKER Frosting Mixes, Fluffy

Fluffy White
Chocolate Parfait
Cherry Fluff
Lemon Fluff
French Vanilla

MUFFIN MIXES



BETTY CROCKER Muffin Mixes

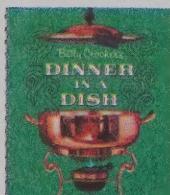
Corn
Date
Apple Cinnamon
Buttermilk Nut
Orange
Honey Bran
Cranberry
Wild Blueberry

BAKING MIXES



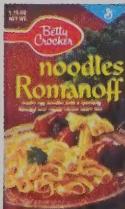
BISQUICK

COOKBOOKS



BETTY CROCKER'S Cook Books

CASSEROLES



BETTY CROCKER Casseroles

Noodles Romanoff
Noodles Italiano
Macaroni and Cheddar
Noodles Almondine
Rice Provence
Rice Milanese

SNACKS



BUGLES*
WHISTLES*
DAISY*S*

FOOD SERVICE PRODUCTS



Food Service (serving restaurants, institutions)

Cake Mixes
Icing Mixes
Cookie Mixes
Hotbread and Muffin Mixes
Yeast Raised Mixes
Donut Mixes
Danish, Sweet Dough and
Roll Mixes
Pie Crust Mix
Griddle Mixes
Potato Products
Hot Cereal Products
Deep Frying Mixes
Sauce and Sauce Mixes
Egg Custard Mix

Ready-to-eat Individual
Cereals

SOFTASILK Cake Flour

KING WHEAT Flour

ALL TRUMPS Flour

GOLD MEDAL Whole Wheat Flour

HELMET Flour

CREAM OF RYE Flour

WASHBURN'S GOLD MEDAL Flour

BAC-O-CHIPS*

BUGLES*

WHISTLES*

DAISY*S*

TENDERROLL Base*

POTATO PRODUCTS

MASHED POTATO BUDS
BETTY CROCKER Au Gratin
Potatoes
BETTY CROCKER Scalloped
Potatoes



BAKERY FLOUR



Bakers Flours

SALAD OIL



BETTY CROCKER
SAFF-O-LIFE

CELLULOSE SPONGES



O-CEL-O Sponges
FOOT SOLDIER Door Mat
HIRED HAND Sponge

OAT PRODUCTS



PURITY Steel-Cut Oatmeal
PURITY Regular Rolled Oats
PURITY Quick Cooking Oats
PURITY Ground Oat Flakes
CHIEF Oat Flakes
PURITY Oat Flour
PURITY Hy-Protein Oatfeed
PURITY Reground Oatfeed
TRAINERS' CHOICE Racehorse Oats

RAINBOW CRAFTS PRODUCTS



PEE WEE SCULPTOR
PLAY-DOH
FUN FACTORY, JR.
FUN FACTORY
PLAY-DOH Coloring Trays
PLAYROOM CANISTER
PLAYNTS
PLAYNTS Coloring Tiles

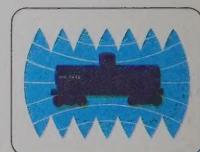
SPECIALTY PRODUCTS



SNO-FLOK
Multi-Purpose Food
Vitamin Concentrates
Fruit Drink Concentrates
Wheat Gluten
Vegetable Gums
Wheat Starches
RELEASAGEN

SPECIALTY CHEMICALS

Pharmaceutical Intermediates
Chemical Specialties



MORTON FOODS



Potato Chips*
CHIP-O'S*
Pickles*
Mayonnaise*

Snack Foods and other food
products for home, restaurants
and institutions